

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

JIM BOB BROWN,

Defendant.

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Civil Action No.:

COMPLAINT

COMPLAINT

The United States Securities and Exchange Commission (“Commission”) files this suit against Defendant Jim Bob Brown (“Brown” or “Defendant”) and would respectfully show the Court as follows:

SUMMARY

1. This action arises from multiple violations of the Foreign Corrupt Practices Act (“FCPA”) and other federal securities laws by Brown, a former employee of a subsidiary of Willbros Group, Inc. (“Willbros Group”). Brown, a United States citizen and employee of Willbros affiliates for more than 20 years, worked extensively in the company’s Nigerian and Latin American operations, rising to the level of Managing Director.

2. During the course of his employment, Brown participated in multiple bribery schemes, both in Nigeria and in Ecuador. In early 2005, Brown, along with other employees of Willbros Group subsidiaries, helped deliver \$1.5 million in cash to Nigerian officials to settle in part previously-made “commitments” designed to help the company obtain one or more projects,

including one project that has generated revenues in excess of \$240 million for Wilbros Group and its business partners. In addition, Brown participated in a long-running scheme to fraudulently use the company's petty cash accounts in Nigeria to make a variety of corrupt payments to Nigerian tax and court officials. Finally, in 2004, Brown participated in a scheme that paid over \$300,000 to officials of PetroEcuador, an oil and gas company wholly-owned by the government of Ecuador, and its subsidiary, PetroComercial, in connection with a contract that ultimately generated total revenues of \$3.4 million.

3. The Commission, in the interest of protecting the public from any further illegal activity, brings this action against the Defendant seeking permanent injunctive relief to prevent future violations of the federal securities laws and a civil monetary penalty.

JURISDICTION AND VENUE

4. This court has jurisdiction over this action pursuant to Exchange Act Sections 21(d)(3) and 27 [15 U.S.C. §§ 78u(d)(3) and 78aa]. Defendant, directly and indirectly, made use of the mails and of the means and instrumentalities of interstate commerce in connection with the acts, practices and courses of business described in this Complaint. Venue is proper because many of the transactions, acts, practices and courses of business described below occurred within the jurisdiction of the Southern District of Texas.

DEFENDANT

5. Jim Bob Brown, age 45, is a United States citizen and former employee of Willbros International, Inc. ("Willbros International"), a wholly-owned subsidiary of Willbros Group, Inc. Brown worked for Willbros affiliates from 1984 through his termination in April 2005. He was assigned to Nigeria from 1991 through August 2000, rising to the level of Division Manager of Willbros (Nigeria) Limited, a Willbros subsidiary in Nigeria. In August

2000, he became the Managing Director of the company's subsidiary in Venezuela, where he also supervised business development efforts in Ecuador. In late 2004, Brown transferred back to Nigeria, as Managing Director. His employment was terminated in April 2005.

FACTUAL BACKGROUND

6. Willbros Group, Inc., is an international oil and gas pipeline company incorporated in Panama since 1975 (its predecessor companies date back to 1908). From 1975 until 2000, its principal place of business was Tulsa, Oklahoma, until it relocated to Houston in 2000. Willbros Group provides construction, engineering and other services in the oil and gas industries. Willbros Group, which became a public company in 1996, has a class of securities registered under Section 12(b) of the Exchange Act and its shares are traded on the New York Stock Exchange. Willbros Group conducts all of its operations outside of North America through its wholly-owned subsidiary, Willbros International, Inc. Like Willbros Group, Willbros International is incorporated in Panama and maintained its principal place of business in Tulsa until 2000, when it moved its headquarters to Houston. In turn, it has conducted business in Nigeria for over 40 years – primarily through three affiliates: Willbros West Africa, Inc., a wholly-owned subsidiary of Willbros International; Willbros Nigeria, Ltd., a majority-owned subsidiary of Willbros West Africa; and Willbros Offshore Nigeria, Inc., a majority-owned subsidiary of Willbros West Africa.

7. In order to pursue certain projects in Nigeria, Willbros West Africa formed a joint venture consortium with a Nigerian subsidiary of a German engineering and construction company (“the consortium”). In December 2004, the consortium submitted a commercial proposal seeking to be awarded some or all of the Eastern Gas Gathering Systems (“EGGS”)

project, a natural gas pipeline system. The project contemplated multiple components, which will be generally referred to here as EGGs Phase 1 and EGGs Phase 2.

8. Although EGGs Phase 2 was a separate component of the project, it was understood by the joint venture consortium that the entity that performed EGGs Phase 1 would in also perform EGGs Phase 2. The commercial proposal was submitted to the operator of a joint venture (“the Nigerian joint venture”) that is controlled by the Nigerian National Petroleum Corporation (“NNPC”), an arm of the Nigerian government, and its subsidiary, the National Petroleum Investment Management Services (“NAPIMS”)(employees, agents, and officials of the operator, the Nigerian joint venture, NNPC, and NAPIMS will be referred to here as “Nigerian officials.”) The consortium was ultimately awarded the project, and, to date, that project has generated revenue of over \$240 million.

9. Prior to and during the bidding process, the former President of Willbros International and certain employees of Willbros West Africa’s joint venture partner, plotted to make more than \$6 million in payments to various Nigerian officials. To implement this scheme, an outside consultant based in the United Kingdom (“the UK Consultant”) invoiced the company for purported “consulting” services, when in fact some or all of that money was intended for corrupt payments. The money disbursed to the UK Consultant was improperly recorded in Willbros Group’s books and records as consulting expenses or other business expenses. Through this scheme, a portion of these so-called “commitments” had been paid by late 2004.

10. In November 2004, Brown transferred from his position in South America to become Managing Director within the company’s Nigerian operations. During this time, Brown worked closely with the then-President of Willbros International. In December 2004, a Bolivian

newspaper reported that a Willbros Group subsidiary in Bolivia had been accused of implementing a scheme, which included possible payments to Bolivian tax officials, to illegally minimize certain of the subsidiary's tax obligations. On January 6, 2005, Willbros Group announced that the President of Willbros International had resigned and that the company was investigating that issue.

11. Shortly thereafter, Brown (and other employees of Willbros affiliates in Nigeria and elsewhere) learned that the company was conducting an internal investigation into the circumstances that had led to the former President's resignation. As part of that process, the company's general counsel e-mailed Brown and others, prohibiting any further payments to, among other persons and entities, the UK Consultant.

12. During this same time period, unidentified persons began telephoning Brown and other Willbros employees to complain that the "commitments" were not being met. As a result, Brown and other employees of Willbros Group's affiliates, in concert with their counterparts at their consortium partner, determined to resume the payments to avoid jeopardizing the consortium's existing operations and the re-opening for additional bids the EGGG Phase 2 work.

13. In February 2005, Brown, along with another Willbros-affiliate employee, several employees of Willbros's consortium partner, and a Nigerian consultant, participated in a meeting to devise a way to continue the payments. At that meeting, it was agreed that Willbros-affiliate employees would raise \$1,550,000 to pay a portion of the outstanding commitments.

14. Because the UK Consultant was no longer available as a source of funding, Brown and the others sought alternative sources. Ultimately, Brown procured \$1 million by executing a loan agreement on behalf of Willbros West Africa with the company's consortium

partner. Brown then delivered this cash to a third party with the understanding that the third party would deliver it to Nigerian officials.

15. In addition, Brown's co-worker (who had attended the February 2005 meeting) borrowed, in Nigerian currency, the equivalent of roughly \$550,000 from another source. With Brown's knowledge and approval this money was delivered to third parties with the understanding that the third parties would deliver the money to the Nigerian officials.

16. Brown further worked towards procuring a source to continue making the illicit payments. He sent an e-mail to Willbros personnel in the company's administrative headquarters in Houston asking that the company enter a new consultancy contract with a new "consultant." Ultimately, after receiving what he perceived as authorization, Brown entered the contract. Shortly thereafter Willbros Group's general counsel instructed Brown and others that no payments were to be made under the agreement until it had been more fully reviewed pursuant to heightened FCPA procedures the company was implementing. Ultimately, the contract did not survive that scrutiny.

17. From at least the early 1990's through 2005, employees of Willbros Group or its affiliates in Nigeria used petty cash accounts to, among other things, make repeated bribes to Nigerian tax and court officials.

18. For example, Willbros, in order to maintain its operations in Nigeria, must pay taxes administered by various Nigerian states, including a Pay-As-You-Earn ("PAYE") tax, which is based on employee earnings and which Willbros deducts from its workers' salaries. In order to reduce this tax obligation, employees of Willbros affiliates bribed auditors responsible for determining the amount of tax owed.

19. During this same time period, Willbros employees payed clerks and other officials within the Nigerian judicial system in exchange for favorable treatment in pending cases. These payments to court and tax officials were disguised within the company's petty cash processes. Certain employees of Willbros Group's subsidiaries created excess petty cash funds by submitting fictitious invoices from non-existent vendors. These fabricated invoices were used to obtain cash (ultimately over \$7 million) from the company's administrative headquarters in the United States. At least \$300,000 of this money was used to make the payments to Nigerian tax and court officials discussed above. Brown knowingly participated in this scheme. As a supervisor in Nigeria, Brown knew about this conduct and did nothing to intervene. In addition, on occasion, he instructed others to procure the fabricated invoices necessary to obtain the excess cash.

20. In addition, Willbros Group conducted business in Ecuador through Willbros Servicios Obras y Sistemas ("Willbros Ecuador"), a wholly-owned subsidiary of Willbros International. In 2000, Brown was transferred to South America, where he served as Managing Director of a Willbros affiliate in Venezuela. Brown was further asked to help supervise the company's efforts to obtain business in Ecuador.

21. In late 2003, Brown's supervisor instructed another, Ecuador-based, individual to pursue business prospects in Ecuador ("the Ecuador employee"). The Ecuador employee telephoned Brown and informed him that the company could obtain a \$3 million contract to modify a pipeline running from Santo Domingo to El Beaterio, Ecuador ("the Santa Domingo Project"), if the company would agree to pay \$300,000 (10% of the contract value) to certain officials of PetroEcuador, an oil-and-gas company wholly-owned by the government of Ecuador, and its subsidiary, PetroComercial (collectively, these entities will be referred to here as

“PetroEcuador”). The scheme called for \$150,000 to be paid up front, with the remaining \$150,000 to be paid at completion of the project. Ultimately, Brown and the Ecuador employee agreed to make the payments, and in March 2004, the company announced that it had received a letter of intent for the Santo Domingo Project.

22. Throughout the January – June 2004 time period, Brown communicated by e-mail and telephone with his supervisor to arrange the transfer of \$150,000 to employees of Willbros Ecuador so that they could deliver the money to PetroEcuador officials. One or more of these e-mail communications were sent from Brown in Venezuela through Willbros Group’s server located in Houston, Texas.

23. In June 2004, Brown’s supervisor directed an outside consultant to wire \$150,000 to the bank account of a second Willbros Ecuador employee, so that the money could be then be used to make the payments to the PetroEcuador officials. The Ecuador employee confirmed to Brown that the money had been received and would be delivered.

24. While the Santo Domingo Project was underway, the PetroEcuador officials involved in the scheme were replaced. The former officials, however, continued to insist on receiving the second installment, while the newly installed officials also insisted on receiving payments. To resolve this problem, Brown attended a meeting at which the Ecuador employee met with both former and current officials. Brown attended this meeting to ensure that the PetroEcuador officials understood that the Ecuador employee had the full backing of the company. Brown authorized the Ecuador employee to resolve the situation. Ultimately, acting on that authorization, the Ecuador employee brokered a deal to pay the former officials an additional \$90,000 and the new officials \$165,000. In return for this agreement, Willbros would retain the Santo Domingo project and would be awarded a second project. The money for these

payments was transferred to the private bank accounts of Ecuadorian employees of Willbros and their family members. These disbursements were falsely recorded in the company's books and records as "consulting" expenses, "platform expenses," or as "prepaid expenses."

25. The company ultimately performed the Santa Domingo project, which generated revenues of roughly \$3.4 million. When the bribes pertaining to the second project were discovered in 2005, the company relinquished the project.

CLAIMS

FIRST CLAIM Violations of Exchange Act Section 30A

26. Paragraphs 1 through 25 are re-alleged and incorporated by reference.

27. As described above, Defendant, acting on behalf of Willbros Group and its subsidiaries, made use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value, to foreign officials for the purposes of influencing their acts or decisions, securing an improper advantage, or inducing them to use their influence, to assist Willbros Group in obtaining or retaining business.

28. In addition, Defendant was a United States person as that term is defined in Section 32A(g)(2) of the Exchange Act, was an officer, director, employee or agent of Willbros Group acting on behalf of Willbros Group, and corruptly committed acts outside the United States in furtherance of an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value, to foreign officials for the purposes of influencing their acts or decisions, securing an improper

advantage, or inducing them to use their influence, to assist Willbros Group in obtaining or retaining business.

29. By reason of the foregoing, Defendant Brown violated, and unless restrained and enjoined will continue to violate, Section 30A of the Exchange Act [15 U.S.C. § 78dd-1].

SECOND CLAIM
Violations of Exchange Act Section 13(b)(5) and Rule 13b2-1

30. Paragraphs 1 through 25 are re-alleged and incorporated by reference.

31. As described above, Defendant knowingly circumvented Willbros Group's internal accounting controls and, directly or indirectly, falsified or caused to be falsified books, records, or accounts of Willbros Group subject to Exchange Act Section 13(b)(2) [15 U.S.C. § 78m(b)(2)].

32. By reason of the foregoing, Defendant Brown violated, and unless restrained and enjoined will continue to violate, Section 13(b)(5) of the Exchange Act Rule 13b2-1 thereunder [15 U.S.C. § 78m(b)(5) and 17 C.F.R. § 240.13b2-1].

THIRD CLAIM
Aiding and Abetting Violations of Exchange Act Section 30A

33. Paragraphs 1 through 25 are re-alleged and incorporated by reference.

34. As described above, Defendant knowingly provided substantial efforts to others who, acting on behalf of Willbros Group and its subsidiaries, made use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value, to foreign officials for the purposes of influencing their acts or decisions, securing an improper advantage, or inducing them to use their influence, to assist Willbros Group in obtaining or retaining business.

35. By reason of the foregoing, Defendant Brown aided and abetted, and unless restrained and enjoined will continue to aid and abet, violations of Section 30A of the Exchange Act [15 U.S.C. § 78dd-1].

FOURTH CLAIM
Aiding and Abetting Violations of Exchange Act Sections 13(b)(2)(A) and (B)

36. Paragraphs 1 through 25 are re-alleged and incorporated by reference.

37. Willbros Group inaccurately recorded bribery payments and other cash expenditures as legitimate consulting fees and other business expenses in its consolidated books and records in violation of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)]. Defendant knowingly provided substantial assistance to the inaccurate recording of these payments in Willbros Group's books and records.

41. By reason of the foregoing, Defendant Brown aided and abetted, and unless restrained and enjoined will continue to aid and abet, violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

RELIEF REQUESTED

The Commission respectfully requests that this Court:

(1) enter an order permanently enjoining Defendant from violating Sections 30A and 13(b)(5) [15 U.S.C. §§ 78dd-1 and 78m(b)(5)] of the Exchange Act and Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1] and from aiding and abetting violations of Sections 13(b)(2)(A), 13(b)(2)(B), and 30A of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(2)(B), and 78dd-1].

(2) order Defendant Brown to pay civil penalties pursuant to Sections 21(d)(3) and 32(c) of the Exchange Act [15 U.S.C. §§ 78u(d)(3) and 78ff(c)]; and

(3) grant the Commission such other and further relief as is just and appropriate.

DATED: September 14, 2006

Respectfully submitted,

Harold R. Loftin, Jr.
Southern District Bar No. 16867
Texas Bar No. 12487090
(Attorney-in-Charge)
SECURITIES AND EXCHANGE COMMISSION
Fort Worth District Office
Burnett Plaza, Suite 1900
801 Cherry Street, Unit #18
Fort Worth, Texas 76102-6882
Attorney for Plaintiff